

Message Text

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ORIGIN COME-00

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TO AMEMBASSY KUALA LUMPUR PRIORITY
INFO AMEMBASSY SINGAPORE PRIORITY

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E.O. 11652:N/A

TAGS:EMIN, ECON

SUBJECT: MALAYSIAN TIN PRODUCTION COSTS

1. TIN PRODUCTION COST FIGURES SUBMITTED BY MALAYSIAN
DELEGATION TO INTERNATIONAL TIN COUNCIL(ITC) SHOW VERY
SHARP INCREASE OVER COSTS FOR THE SAME PERIOD IN 1976.

COST IN MDOLS.

PER PIKUL

GRAVEL PUMP DREDGE CONCENTRATE

1976 1977 1976 19;7

POWER	174	187	85	106
LABOR	147	200	87	124
MATERIALS	89	130	79	127
OTHER CHARGES				

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& OVERHEAD	67	96	44	61
DEPRECIATION	42	63	35	40
EXPLORATION				
& DEVELOPMENT	6	10	1	3
REALIZATION COSTS	15	15	14	26
PRODUCTION COST				
WITHOUT ROYALTY				

DUTY & TRIBUTE 540 701 345 487

ROYALTY,

DUTY AND TRIBUTE 266 401 240 366

TOTAL COST 807 1102 585 853

EQUIVALENT IN

METAL 1069 1462 775 1132

2. THE MALAYSIAN SUBMISSION DID NOT INCLUDE DATA ON CHANGES IN WAGE RATES, AND UNIT PRICES OF MINING EQUIPMENT AND SUPPLIES WHICH WOULD ENABLE US TO PINPOINT THE REASONS FOR THE STEEP RISE IN PRODUCTION COSTS. I.E., WHETHER THE RISE IS CHIEFLY ATTRIBUTABLE TO INCREASES IN THE PRICE OF INPUTS OR TO INCREASED USAGE OF INPUTS PER UNIT OF OUTPUT, OR BOTH. WE NO,E, HOWEVER, THATTHE OVERALL INFLATION RATE IN MALAYSIA IN 1977 WAS ONLY 4.3 PER CENT. THUS, THE LARGE INCREASE IN TIN PRODUCTION COSTS IN 1977 APPEAR; UNUSUAL IN THE CONTEXT OF AN OTHERWISE NON-INFLATIONARY ECONOMY AND STABLE FOREIGN EXCHANGE RATES.

3. THE EMBASSY IS REQUESTED TO PROVIDE FOR THE PERIODS IN QUESTION WAGE RATES IN TIN MINING INDUSTRY, INTEREST RATES, AND PRICE DATA FOR REPRESENTATIVE TYPES OF MINING EQUIPMENT AND SUPPLIES SUCH AS: GASOLINE, DIESEL FUEL, DIESEL ELECTRIC POWER UNITS, PUMPS AND TRUCKS. THE UNCLASSIFIED

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EMBASSY'S VIEWS OF PRODUCTION COST TRENDS WOULD ALSO BE APPRECIATED.

4. WHILE PRODUCTION COSTS ARE ONLY ONE OF SEVERAL FACTORS AFFECTING ITC DECISIONS ON APPROPRIATE FLOOR AND CEILING PRICES FOR TIN, THEY ARE AN IMPORTANT CONSIDERATION. ACCORDINGLY,WE WOULD APPRECIATE HAVING THE INFORMATION IN TIME FOR ECONOMIC AND PRICE REVIEW PANEL MEETING IN BANGKOK JUNE 12-16. PLEASE INFO YOUR RESPONSE TO LONDON AND BANGKOK. CHRISTOPHER

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